

ARIZONA STATE SENATE

RESEARCH STAFF



TO: JOINT LEGISLATIVE AUDIT COMMITTEE

DATE: April 1, 2026

SUBJECT: Sunset Review of the Arizona State Land
Department

SAWYER BESSLER
LEGISLATIVE RESEARCH ANALYST
NATURAL RESOURCES COMMITTEE
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Attached is the final report of the sunset review of the Arizona State Land Department (ASLD), which was conducted by the Senate Natural Resources Committee of Reference and the House of Representatives Natural Resources, Energy and Water Committee of Reference. A performance audit of the ASLD was conducted by the Arizona Office of the Auditor General (Report No. [25-103](#)).

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona
The Honorable Katie Hobbs

President of the Senate
Senator Warren Petersen

Speaker of the House of Representatives
Representative Steve Montenegro

Senate Members
Senator Thomas "T.J." Shope, Co-Chair
Senator Frank Carroll
Senator Timothy "Tim" Dunn
Senator Rosanna Gabaldon
Senator David Gowan
Senator Theresa Hatathlie
Senator Janae Shamp
Senator Priya Sundareshan

House of Representatives Members
Representative Gail Griffin, Co-Chair
Representative Pamela Carter
Representative Patricia Contreras
Representative Ralph Heap
Representative Sarah Liguori
Representative Chris Lopez
Representative Teresa Martinez
Representative Christopher Mathis
Representative Mae Peshlakai
Representative James Taylor

Arizona State Land Department
Office of the Auditor General
Arizona State Library, Archives and Public Records

Senate Resource Center
Senate Republican Staff
Senate Democratic Staff
Senate Research Staff

Office of the Chief Clerk
House Republican Staff
House Democratic Staff
House Research Staff

Arizona State Land Department Sunset Review

Background

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Arizona State Land Department (ASLD) to the Senate Natural Resources Committee of Reference and House of Representatives Natural Resources, Energy and Water Committee of Reference.

The ASLD was established by [Laws 1915, Second Special Session, Chapter 5](#), with the power to sell and lease all lands owned or held in trust by the State. Arizona has over 9 million acres of state trust lands which represents approximately 13 percent of Arizona's total land ([ASLD: Agency and Mission](#)). The state land trust has 13 beneficiaries which include K-12 public education, universities, Arizona School for the Deaf and Blind, state buildings, Arizona State Hospital, the Arizona Pioneers' Home, the Arizona Department of Juvenile Corrections and the Arizona Department of Corrections ([ASLD: State Trust Land Beneficiaries](#)). All monies derived from the sale or lease of state trust lands must be deposited into the Permanent Fund. All monies in the Permanent Fund must be invested in safe interest-bearing securities and prudent equity securities consistent with constitutionally prescribed requirements ([Ariz. Const. art 10 § 7](#)). As of February 2026, the Permanent Fund had an approximate fair market value of \$10.1 billion ([Arizona State Treasurer](#)).

The ASLD is managed by the State Land Commissioner (Commissioner) who must: 1) exercise and perform all powers and duties vested in or imposed on the ASLD and prescribe such rules as are necessary to discharge those duties; 2) make long-range plans for the future use of state lands in cooperation with other state agencies, local planning authorities and political subdivisions; 3) have the authority to lease for commercial purposes and sell all land owned or held in trust by Arizona; and 4) fulfill all other statutorily prescribed duties ([A.R.S. § 37-132](#)).

The ASLD is statutorily set to terminate on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.05](#)).

Sunset Review Procedure

The Senate Natural Resources Committee of Reference and the House of Representatives Natural Resources, Energy and Water Committee of Reference held a joint public meeting on Tuesday, January 20, 2026, to review the Auditor General's Performance Audit and Sunset Review Report, consider the ASLD's responses to the statutorily outlined sunset factors and receive public testimony.

Committee of Reference Recommendations

The Senate Natural Resources Committee of Reference and House of Representatives Natural Resources, Energy and Water Committee of Reference recommended that the Legislature continue the ASLD for four years until July 1, 2030, with a report due in two years with completed recommendations.

Appendices

A. Meeting notice

B. Committee minutes

Attachment A: Arizona State Land Department Presentation

C. Committee materials

D. Chairman's letter requesting the ASLD's response to the agency factors

E. The ASLD's response to the agency factors pursuant to [A.R.S. § 41-2954](#)

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REVISED

REVISED

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

ARIZONA STATE LEGISLATURE

INTERIM MEETING NOTICE OPEN TO THE PUBLIC

SENATE NATURAL RESOURCES COMMITTEE OF REFERENCE AND HOUSE NATURAL RESOURCES, ENERGY & WATER COMMITTEE OF REFERENCE

Date: Tuesday, January 20, 2026

Time: 1:45 P.M. or upon adj of the Senate Natural Resources Committee and upon adj. of the House Natural Resources, Energy & Water Committee

Place: SHR 1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011004>

AGENDA

1. Call to Order
2. Roll Call
3. Sunset Review of the Arizona Veterinary Medical Examining Board
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona Veterinary Medical Examining Board
 - Public Testimony
 - Discussion and Recommendation
4. Sunset Review of the Arizona State Land Department
 - Presentation by the Arizona Office of the Auditor General
 - Response by the Arizona State Land Department
 - Public Testimony
 - Discussion and Recommendation
5. Adjourn

Members:

Senator Thomas "T.J." Shope, Co-Chair
 Senator Frank Carroll
 Senator Timothy "Tim" Dunn
 Senator Rosanna Gabaldón
 Senator David Gowan
 Senator Theresa Hatathlie
 Senator Janae Shamp
 Senator Priya Sundareshan

Representative Gail Griffin, Co-Chair
 Representative Pamela Carter
 Representative Patricia Contreras
 Representative Ralph Heap
 Representative ~~Nickolas "Nick" Kupper~~
 Representative Sarah Liguori
 Representative Chris Lopez
 Representative Teresa Martinez
 Representative Christopher Mathis
 Representative Mae Peshlakai
 Representative James Taylor



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For questions regarding this agenda, please contact Senate Research Department.
Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

ARIZONA STATE LEGISLATURE

SENATE NATURAL RESOURCES COMMITTEE OF REFERENCE AND HOUSE NATURAL RESOURCES, ENERGY & WATER COMMITTEE OF REFERENCE

Minutes of the Meeting

January 20, 2026

1:45 P.M. or upon adjournment of the Senate Natural Resources
Committee and upon adj. of the House Natural Resources, Energy & Water
Committee, SHR1

Members of the public may access a livestream of the meeting here:

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011004>

Members Present:

Senator Thomas "T.J." Shope, Co-Chair
Senator Frank Carroll
Senator Timothy "Tim" Dunn
Senator Rosanna Gabaldón
Senator David Gowan
Senator Theresa Hatathlie
Senator Janae Shamp
Senator Priya Sundareshan

Representative Gail Griffin, Co-Chair
Representative Pamela Carter
Representative Patricia Contreras
Representative Ralph Heap
Representative Sarah Liguori
Representative Chris Lopez
Representative Teresa Martinez
Representative Christopher Mathis
Representative Mae Peshlakai
Representative James Taylor

Staff:

Sawyer Bessler, Senate Natural Resources Research Analyst
Skylin Flores, Senate Natural Resources Research Intern
Corbin Wright, House Natural Resources, Energy and Water Research Analyst

Co-Chair Shope called the meeting to order at 2:44 p.m. and attendance was noted.

Co-Chair Shope offered comments.

SUNSET REVIEW OF THE ARIZONA VETERINARY MEDICAL EXAMINING BOARD

Presentation by the Arizona Office of the Auditor General

Katie Grzybowski, Arizona Office of the Auditor General, distributed and explained a PowerPoint Presentation entitled "Arizona State Veterinary Medical Examining Board, Performance Audit and Sunset Review" (Attachment A) and answered questions posed by the Committee.

Response by the Arizona Veterinary Medical Examining Board

Victoria Whitmore, Executive Director, Arizona Veterinary Medical Examining Board, distributed and explained a PowerPoint Presentation entitled "Arizona State Veterinary Medical Examining Board" (Attachment B) and answered questions posed by the Committee.

Public Testimony

Dr. Tara Temple, President, Arizona Veterinary Medical Association, testified in support of the Arizona Veterinary Medical Examining Board.

Discussion and Recommendation

Representative Griffin moved that the Senate Natural Resources Committee of Reference and the House Natural Resources, Energy and Water Committee of Reference make the recommendation to continue the Arizona Veterinary Medical Examining Board for 8 years, until July 1, 2034. The motion CARRIED by voice vote.

SUNSET REVIEW OF THE ARIZONA STATE LAND DEPARTMENT

Presentation by the Arizona Office of the Auditor General

Jessika Hallquist, Performance Audit Manager, Arizona Auditor General's Office, distributed and explained a PowerPoint Presentation entitled "Arizona State Land Department, Performance/Special Audits and Sunset Review" (Attachment C) and answered questions posed by the Committee.

Jeff Gove, Director, Performance Audit Division, Arizona Auditor General's Office, answered questions posed by the Committee.

Ms. Hallquist answered additional questions posed by the Committee.

Response by the Arizona State Land Department

Robyn Sahid, Commissioner, Arizona State Land Department, distributed and explained a PowerPoint Presentation entitled "Arizona State Land Department" (Attachment D) and distributed a handout of the requested data from prior hearings (Attachment E). Ms. Sahid answered questions posed by the Committee.

The Committee offered comments.

Public Testimony

Reed Larson, Greenlee County Board of Supervisors, offered comments.

Timothy Marsh, representing self, offered comments.

Spencer Kamps, Home Builders Association of Central Arizona, offered comments and answered questions posed by the Committee.

Steve Trussell, Arizona Rock Products Association, The Arizona Mining Association, offered comments.

Patrick Bray, Arizona Farm and Ranch Group, offered comments.

The Committee offered comments.

Discussion and Recommendation

Ms. Sahid answered additional questions posed by the Committee.

The Committee offered comments.

Representative Griffin moved that the Senate Natural Resources Committee of Reference and the House Natural Resources, Energy and Water Committee of Reference make the recommendation to continue the Arizona State Land Department for 4 years with a report due in 2 years with completed recommendations, until July 1, 2030. The motion CARRIED with a roll call vote of 11-7-0 (Attachment 1).

Representative Carter, Senators Gabaldón, Shamp, Sundareshan, Representatives Contreras, Martinez, Senator Hatathlie, Representative Lopez, Senator Dunn, Representative Griffin and Senator Shope explained their votes.

Attached is a list noting the individuals who registered their positions on the legislation (Attachment F).

Attached are the forms noting the individuals who submitted a speaker slip on the legislation (Attachment G).

There being no further business, the meeting was adjourned at 5:48 p.m.

Respectfully submitted,

Jackson Cooper
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



ARIZONA

STATE LAND DEPARTMENT

Overview

- The Arizona State Land Department (ASLD) serves as fiduciary for a multi-generational, perpetual Trust whose assets were granted to the State at statehood
- Trust revenue supports 13 Beneficiaries, of which K-12 public education is the largest
- Currently manage approximately 9.2M acres



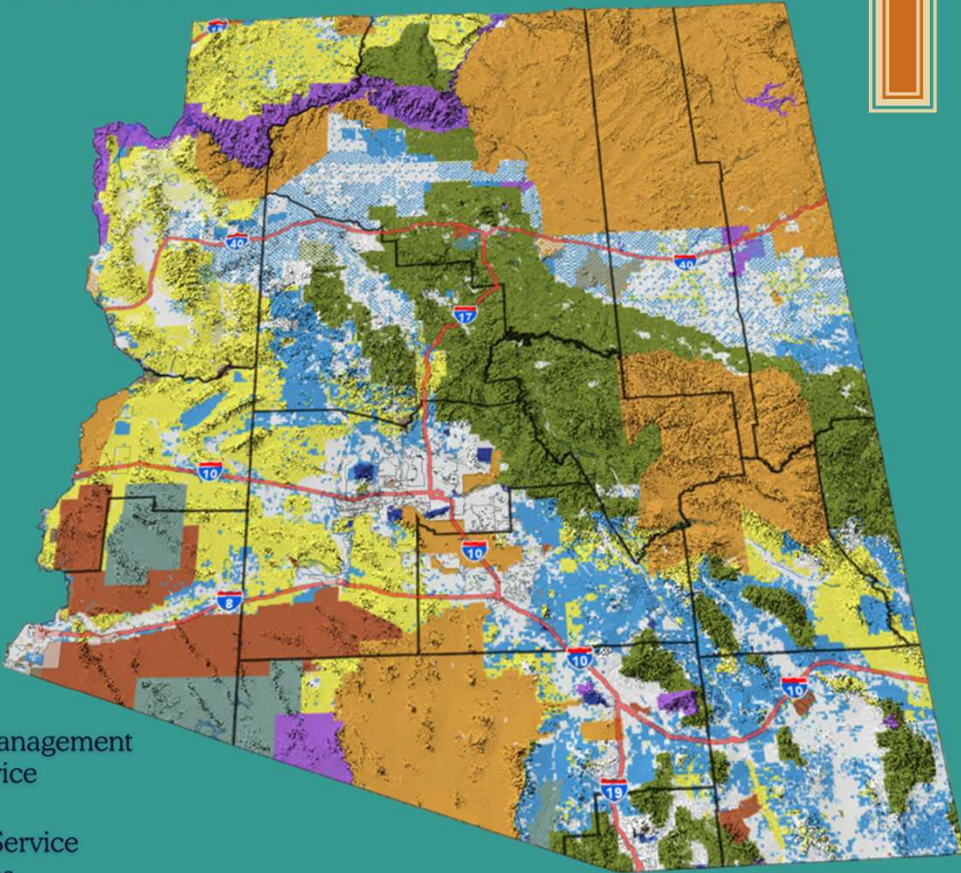
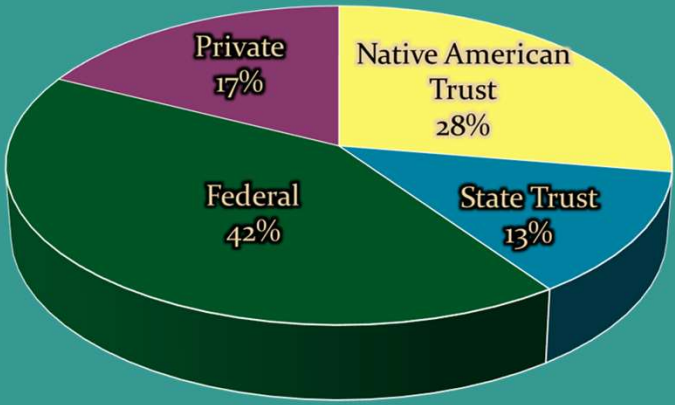
Vision

A model agency for modern times responsibly managing all its assets
for the benefit of the Trust and the State

Mission

To responsibly manage the assets of a perpetual trust in alignment
with the interests of the Trust and the State

State Trust Land



- State Trust Land
- Bureau of Land Management
- National Park Service
- US Forest Service
- Fish and Wildlife Service
- Indian Reservations
- Military
- Local and State Parks
- Private
- Other

Every Acre has a Beneficiary

State Trust land is held in trust and managed by the Arizona State Land Department for the sole purpose of generating revenues for Arizona's K-12 public schools and 12 other institutional beneficiaries

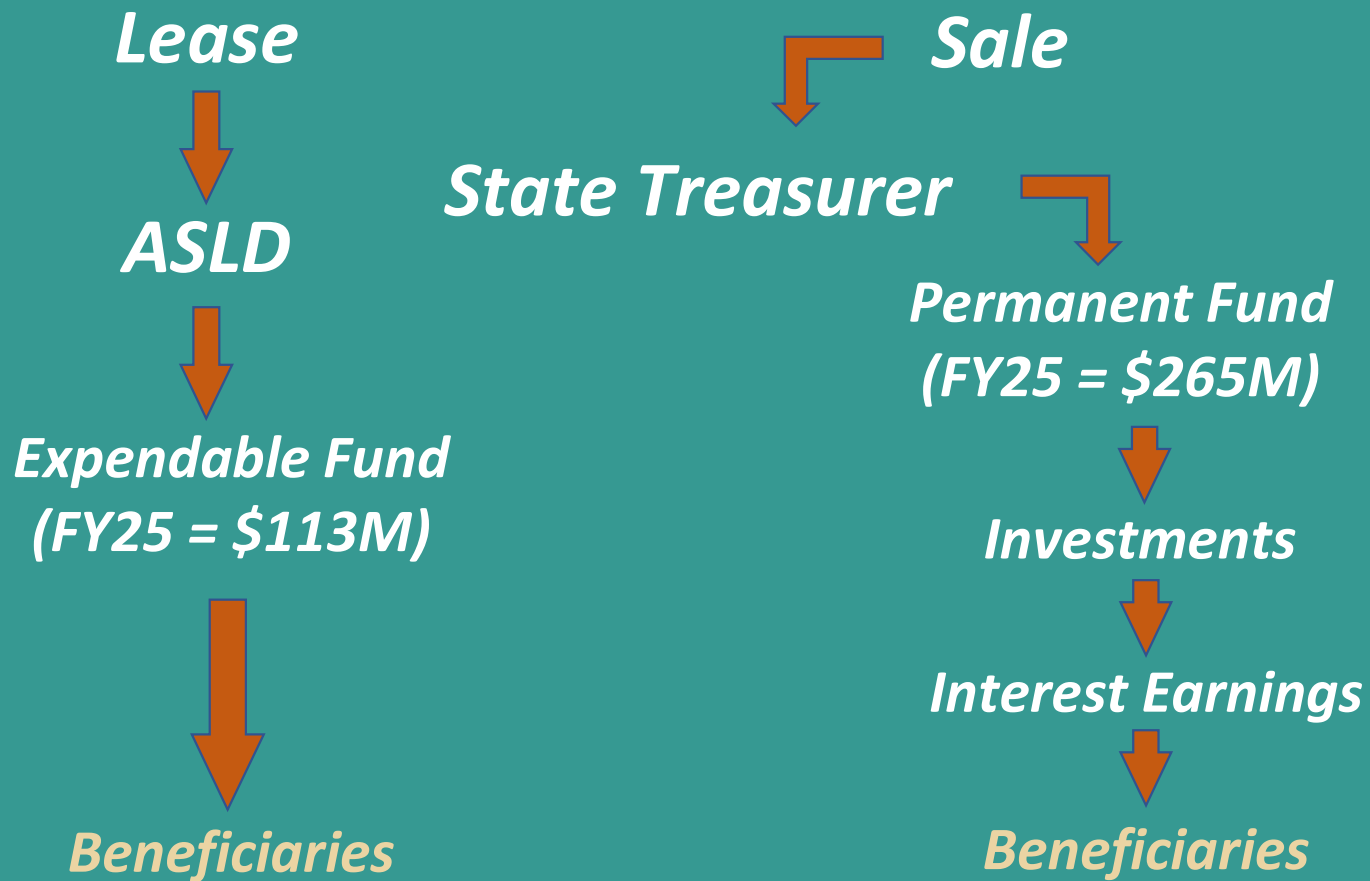


What about the money?



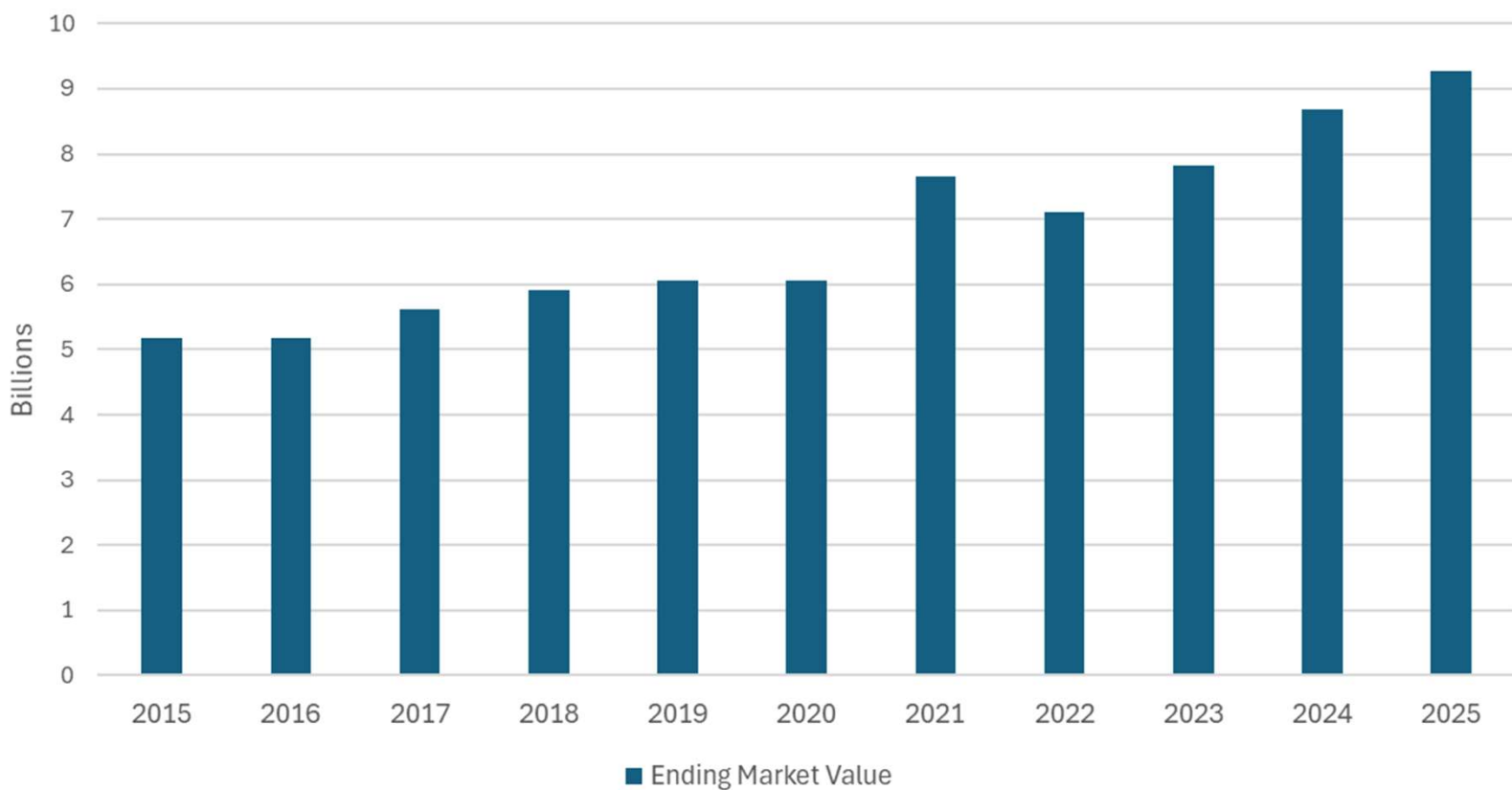
- Every dollar earned goes to the Beneficiaries
- ASLD is a General Fund agency

Annual Receipts





Permanent Land Endowment Trust Fund FY2015-FY2025



\$9.86B
as of Nov 2025

Enabling Act & Constitutional Requirements

- All lands granted shall be held in trust
- All natural products and monetary proceeds of the Trust lands shall be subject to the same trust as the lands producing them
- All Trust lands shall be appraised at fair market value
- Trust lands can't be sold for less than fair market value
- Land sales or leases more than ten years require a public auction
- Trust land auctions must be advertised for a minimum of 10 weeks
- Trust lands cannot be mortgaged or encumbered



Best Interest of the Trust

- The law, as prescribed is implicitly designed for ASLD to wait until the land is ripe for development so the Beneficiaries obtain the full value of the land
- History and case law supports this approach

Best Interest of the Trust

Campana v. Arizona State Land Dep't, found that, “The Commissioner “has the duty to maximize revenue to the trust. However, **immediate revenue is not the sole consideration in determining the best interests of the trust.**”

Best Interest of the Trust

Havasu Heights Ranch & Dev't Corp. v. Desert Valley Wood Products, Inc., found that “The commissioner **may legitimately consider alternate future uses of state land. A higher future use would fall within the ‘best interest’ standard** ... The department was concerned with long range development, not merely the availability of a relatively small amount of immediate rental income. ... This is precisely the type of decision which is best left to the expertise and discretion of the commissioner.”

Employees & Budget



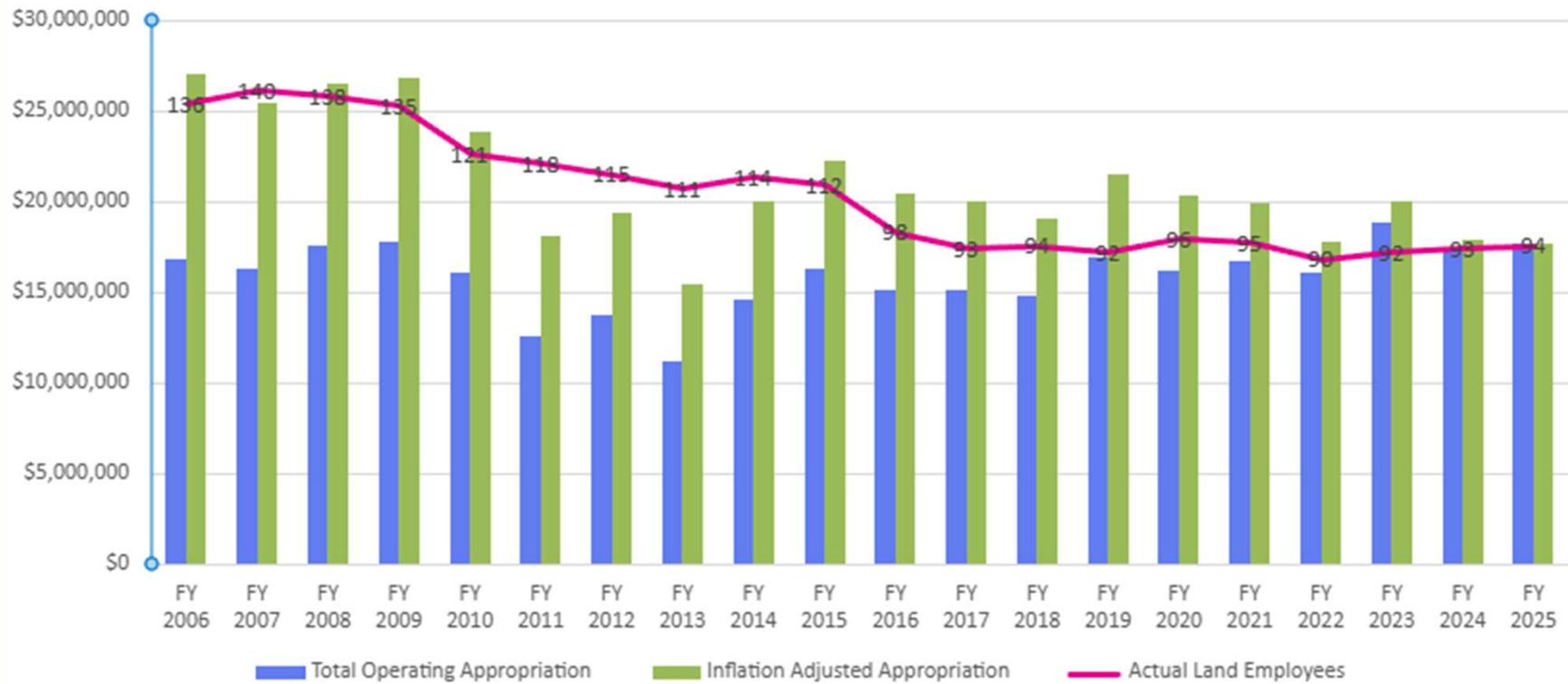
EMPLOYEE COUNTS	
Appropriated Positions	145.7
Employee Cap	110
Current Employees	107

FY26 APPROPRIATED BUDGET	
Operating	\$19,861,000 (\$10.622M GF)
Special Line Items	\$6,577,900
Total	Total \$26,438,900

DEPARTMENT DIVISIONS	
Commissioner's Office	<i>Human Resources, Public Information Officer, Legislative</i>
Real Estate	<i>Sales & Commercial Leasing, Rights of Way, Planning & Engineering</i>
Natural Resources	<i>Land Resources, Trespass, Water Rights, Minerals</i>
Administration	<i>Finance, Titles & Contracts, Administrative Procedures Information</i>
Internal Services	<i>Appraisal, Archaeology, Audit</i>
Information Systems & Resource Analysis	<i>App Development, HelpDesk, GIS, IT Systems</i>

Budget History

Total Appropriation



Application Processing Realities

Since 2016 the Department has seen:



41% increase
in applications
received



34% increase
in applications
processed



4% decrease in
staff



7% decrease in
general fund
appropriation

- Numbers based on
comparison
between 2016 and
December 2025

Day 1

- Special Audit
- Trust Water Assets
- Rulemaking
- Legacy Issues

Solutions Implemented

- Rules Program
- Trust Water Assets
- Mining Stakeholder Process Improvement Recommendations
- MOU with DFFM
- Cultural Resources Streamlining
- Salesforce Customer Portal Improvements



Solutions Implemented

- Status Bar - Implemented August 2025



- New Portal - Coming March 2026

ARIZONA STATE LAND DEPARTMENT

Search...

Home Service Request Guest Payment

Lease 029-123456-00 [New Application](#) [Cancel Lease](#)

Account	Contact	Effective Date	Expiration Date	Total Acres	Tot AUS
Test Account	John M Doe	3/15/2025	3/14/2035	0.570	0.00

Details Related **Parcel** Upload

[Edit GIS Location](#)

Leaflet | ASLD, Powered by Esri | Microsoft, Vantor

Land Sale History/Annual Revenue



Fiscal Year	Sales	Amount
2000-2024 Average	14.3	\$218,414,523
2023	13	\$292,117,544
2024	13	\$242,233,465
2025	19	\$383,199,000

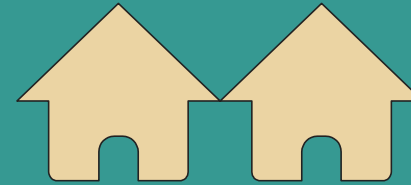
Land Sales for Housing

2020-2022



- 4,632 Acres Sold
- 7,436 Housing Units
Estimated

2023-2025



- 3,364 Acres sold
- 17,411 Housing Units
Estimated

Special Audit *Summary of Findings*



TOTAL FINDINGS	IN PROCESS	NA	COMPLETED
8	6	2*	0

* *These audit recommendations are not currently applicable as they rely on the completion of the Ag market rent study.*

Performance Audit

Summary of Findings



TOTAL FINDINGS	IN PROCESS	COMPLETED
51	43	8

Performance Audit

5-year Disposition Plan Audit Finding



- The Department will comply with this audit finding
- The last 5-year Disposition Plan was created in 2011
- Department is currently developing a framework and written policies and procedures for developing 5-year disposition plans for urban State trust land
- Goal is to have the 5-year disposition plan completed by Dec. 31, 2027

Performance Audit

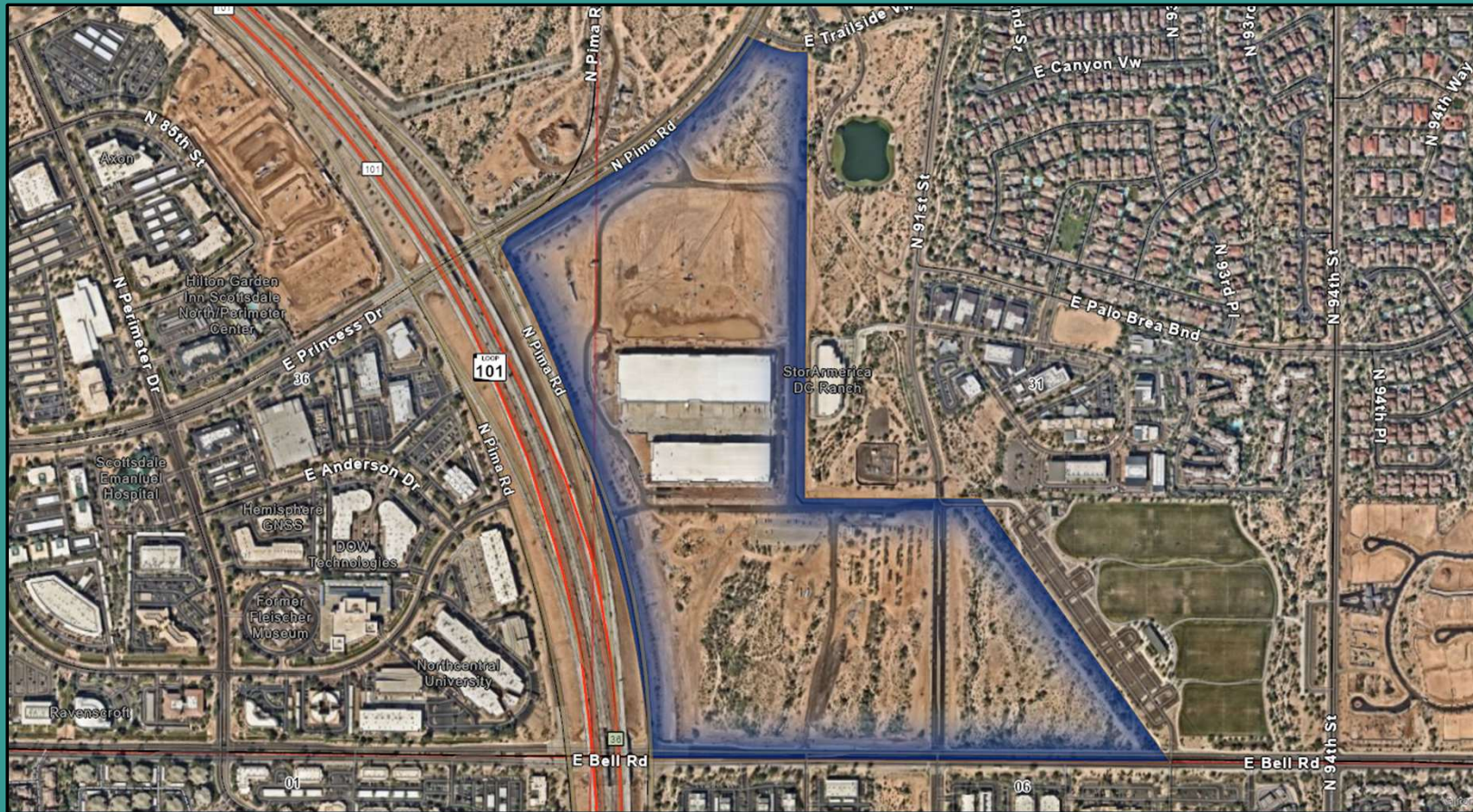
Per Commissioner's Initiative (PCI) Auctions



- For “PCI Auctions,” the Department is the applicant
- This means the Department is responsible for funding and completing the due diligence items
- In the past 5 years:
 - 39 PCI land sale auctions
 - 192 applicant driven land sale auctions

PCI Auction Example

Bell Road & Loop 101

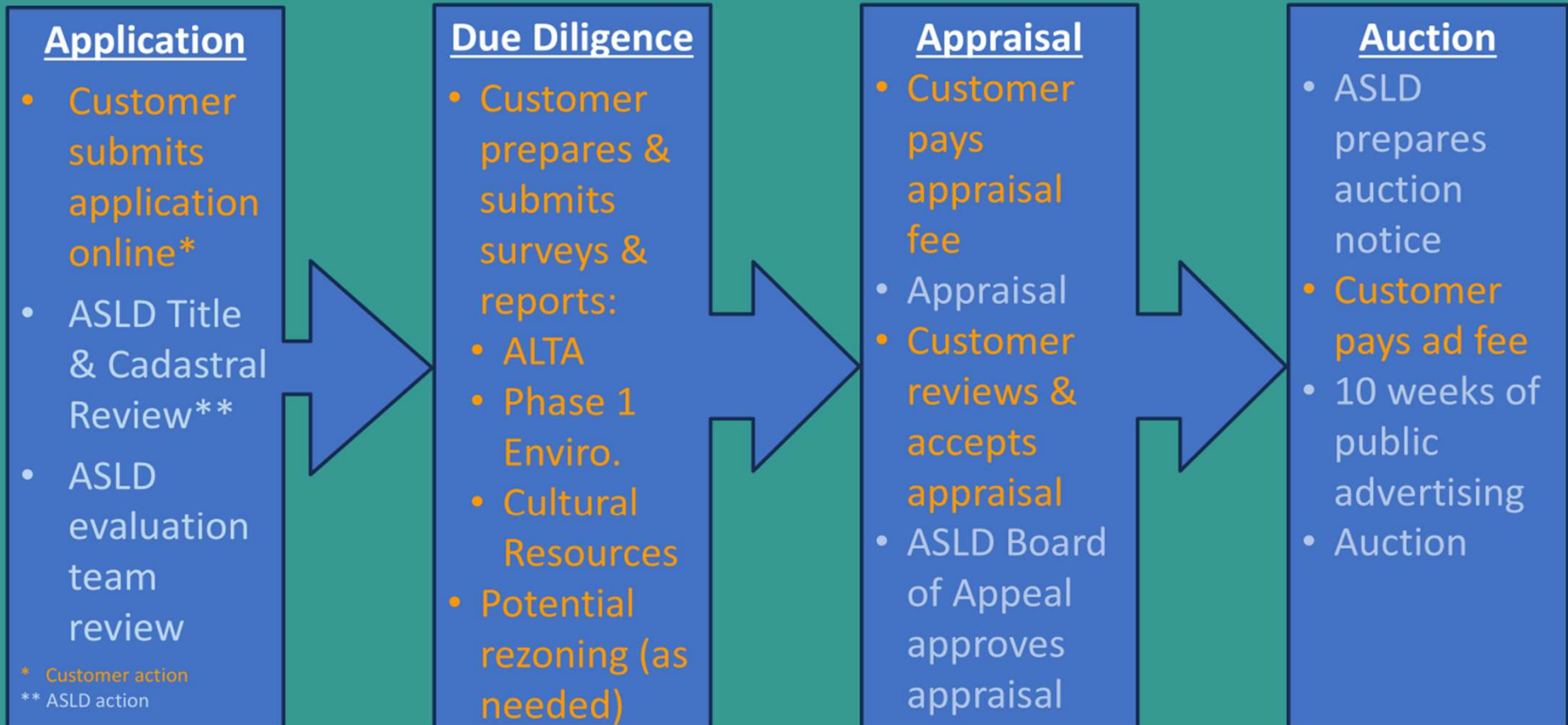




ARIZONA

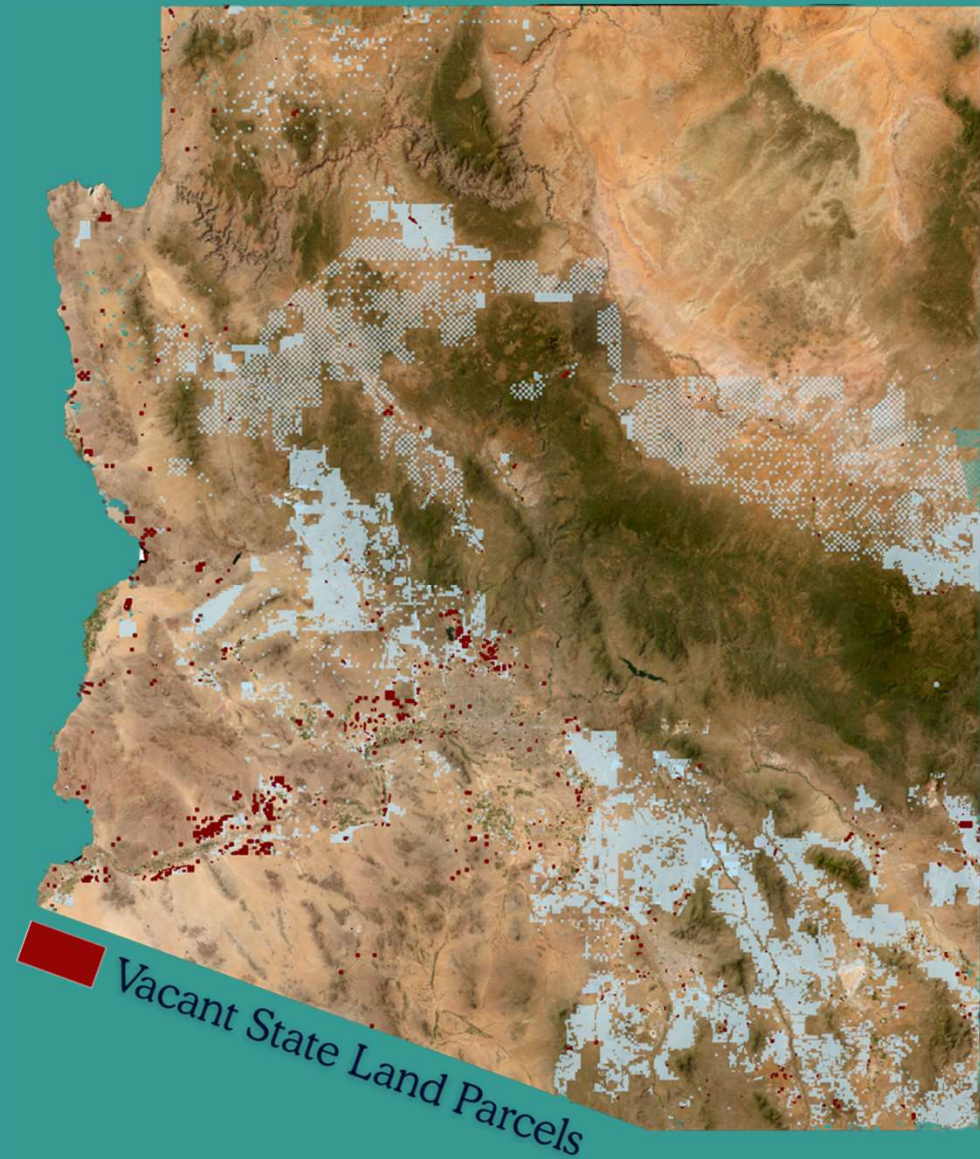
STATE LAND DEPARTMENT

ASLD Sale & Auction Process



Vacant State Land

- 97% of State Trust Land is currently generating revenue
- 3% of State Trust Land is currently vacant
- Vacant is defined as a parcel of land that is not being utilized for any use



Closer Look - Real Estate Division

Legal, Sales & Leasing, Rights of Way, Planning & Engineering



Total Applications *as of Dec 2025*

1759

Sales & Leasing
11 employees

Rights of Way
8 employees

879

880

Planning & Engineering
5 employees

8 completed zoning cases *since 01/01/2023*
15,221 acres zoned

Proactive Zoning

- **“Zoning Bank” or “Land Use Budget” Approach**

- Flexible zoning approach allows for different uses to accommodate changes over a significant span of time rather than “hard zoning” that has a designated single zoning use for each parcel
- There are several appropriate zoning districts for each parcel
- Roles, responsibilities, zoning stipulations, and land use budget are memorialized in a Development Agreement
- Winning bidder selects zoning, moves forward through administrative process (site planning, design/development review, platting, etc.) Suited for large-scale, long-term development projects
- Entitlement certainty minimizes market and political risks with only administrative approval of site plan

Closer Look - Natural Resources Division

Land Resources, Minerals, Water Rights, Trespass



Total Applications *as of Dec 2025*

936

Land Resources
7 employees

Minerals
4 employees

Water Rights
5 employees

193

731

12

Trespass

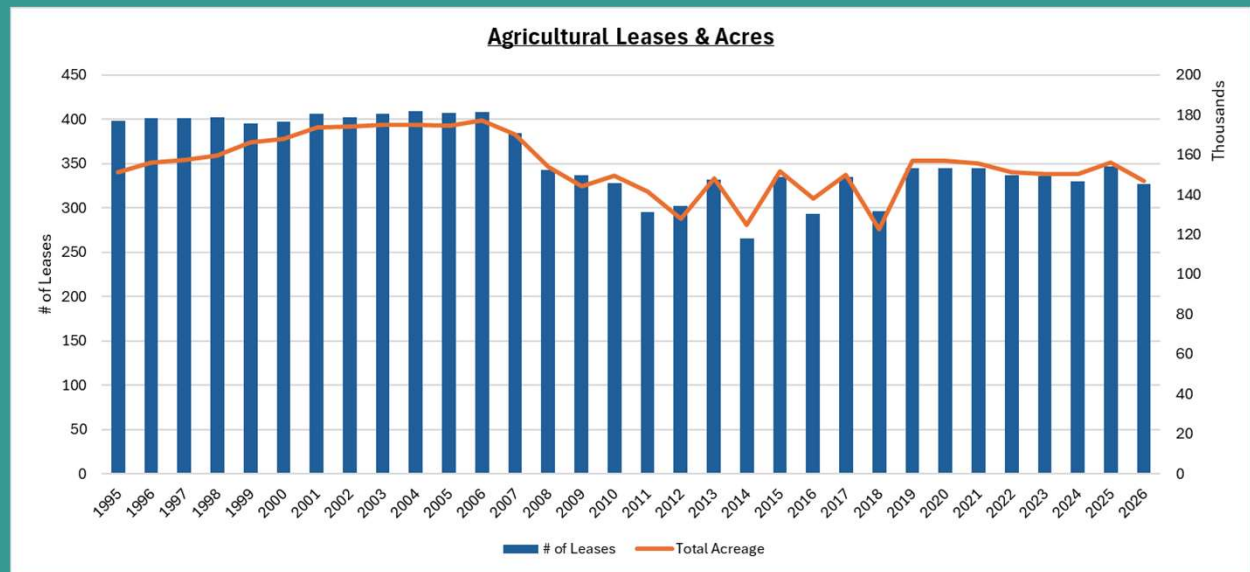
5 employees for ~9.2M acres

857 trespass complaints closed in 2025

Agriculture Leases

Year	Total Ag Leases	Total Ag Acreage
2020	344	157,489.17
2023	345	157,439.16
2026	333*	150,547.8

**The Department has 11 less ag leases in 2026 than in 2023 because 11 were either terminated for a default or non-renewed because they were located in a transportation basin.*

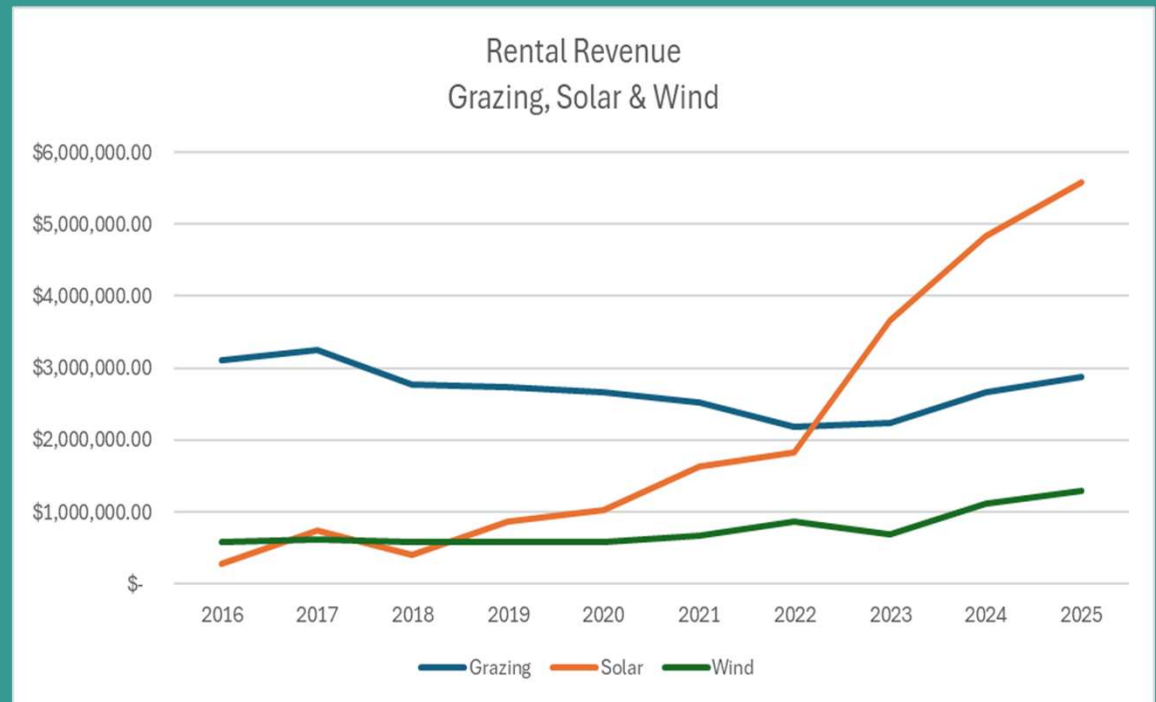


Grazing and Solar/Wind Acres/Revenue

Average Price per Acre (2025):

- Grazing: \$0.34
- Solar: \$204.85
- Wind: \$347.83

Less than %0.4 of grazing acreage has been converted to solar/wind.



Geospatial Clearinghouse “AZGeo”

The State’s largest single geospatial platform
and currently has:



1460
Users

108%
increase



200+
Organizations

80%
increase



6879
Datasets

158%
increase



2109
Applications

394%
increase



Performance Audit

ARIZONA
STATE LAND DEPARTMENT

Finding 1

Department failed to develop statutorily required 5-year disposition plans, risking difficulties demonstrating State trust land sales were transparent and in trust beneficiaries' interest.

Department response: The Auditor General's finding is agreed to.

Response explanation: We agree to the first statement, but not the conclusion drawn here.

Finding 1

Recommendation 1: Develop and implement an updated 5-year disposition plan for all State trust land, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Urban Land Planning Oversight Committee is not currently constituted and the Department may pursue changes to statute.

Finding 1

Recommendation 2: Develop and implement written policies and procedures for developing 5-year disposition plans for State trust land, including reviewing and updating the plans annually as needed, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The Department may pursue changes to statute.

Finding 1

Recommendation 3: Develop and implement written policies and procedures for using its updated 5-year disposition plan to make determinations regarding whether to sell State trust land, including for application-driven land sales.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: Although not required by statute the Department will implement written policies and procedures for evaluating applicant driven sales.

Finding 1

Recommendation 4: Develop and implement written policies, procedures, and/or guidance for selling State trust land at the Commissioner's initiative, such as using its updated 5-year disposition plan to guide the Commissioner's decision-making process.

Department response: The audit recommendation will not be implemented.

Response explanation: This is not required by statute and may conflict with the judgment of the Commissioner.

Finding 2

Recommendation 4 continued: Department did not inspect land or release bonds for some mineral- related leases and permits, and released bonds for some uninspected permits, placing public safety at risk and potentially not returning bond monies to some lessees and permittees who restored land.

Department response: The Auditor General's finding is agreed to.

Finding 2

Recommendation 5: Identify and conduct reclamation inspections for closed mineral leases, mineral material leases, and mineral exploration permits, in accordance with Department policies and procedures.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

Finding 2

Recommendation 6: Release reclamation bonds only after the Department has determined that the land has been restored, such as by conducting a reclamation inspection.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

Finding 2

Recommendation 7: Implement our 2007 audit recommendation to cross-train staff on conducting reclamation inspections.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will train Field Services staff so they may conduct reclamation inspections.

Finding 2

Recommendation 8: Obtain and document reclamation bonds for all mineral leases, mineral material leases, and mineral exploration permits.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has implemented a new method of documenting and providing status updates for reclamation bonds within Salesforce.

Finding 2

Recommendation 9: Revise and implement changes to its reclamation inspection policies and procedures that establish an updated process for documenting reclamation inspections in the Department's updated IT system.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

Finding 2

Recommendation 10: Revise and implement changes to its reclamation inspection policies and procedures that establish a process for Department staff to close leases and permits in the Department's system upon their expiration or cancellation.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

Finding 2

Recommendation 11: Revise and implement changes to its reclamation inspection policies and procedures that establish a process for periodically ensuring that all active mineral and mineral material leases and permits have associated bonds that are accessible by the Department.

Department response: The audit recommendation will be implemented.

Response explanation: The new method mentioned in Recommendation 8 allows the Department to track bonds and their associated permit/leases, as well as track the expiration dates of surety bonds more easily.

Finding 2

Recommendation 12: Revise and implement changes to its reclamation inspection policies and procedures that establish a required reclamation inspection for all mineral exploration permits or a process for determining and documenting when an inspection is not necessary.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for reclamation inspections and bond releases are being updated within Salesforce.

Finding 2

Recommendation 13: Revise and implement changes to its reclamation inspection policies and procedures that establish a process for periodically reviewing and updating policies and procedures to ensure that inspection guidance is consistent.

Department response: The audit recommendation will be implemented.

Response explanation: The Department's standard work for canceling permits/leases and conducting associated reclamation inspections and bond releases are being updated within Salesforce.

Sunset Factor 2

The Department's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.

Recommendation 13 continued: Department has not entered some State trust land records into its geographic information system (GIS), increasing the risk of Department sharing inaccurate information with other public entities and the public and making erroneous land use decisions.

Department response: The Auditor General's finding is agreed to.

Response explanation: There is no policy or statute that requires trust land records be entered into a GIS system. However, the Department has decided it is in its best interest to have these records digitized.

Sunset Factor 2

Recommendation 14: Identify and implement a solution to enter all outstanding State trust land records into the GIS.

Department response: The audit recommendation will be implemented.

Response explanation: The Department is compiling a plan to address the GIS backlog and will seek additional resources as needed.

Sunset Factor 2



Recommendation 14 continued: Department did not timely deposit checks or bill customers for amounts due as required by the State of Arizona Accounting Manual (SAAM).

Department response: The Auditor General's finding is agreed to.

Sunset Factor 2

Recommendation 15: Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish the assignment of responsibilities to each division that conducts billing, such as requirements to generate invoices.

Department response: The audit recommendation will be implemented.

Response explanation: Policies and Procedures will be established and implemented.

Sunset Factor 2

Recommendation 16: Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish a process for sending billing statements for the amount due on a timely basis.

Department response: The audit recommendation will be implemented.

Response explanation: Policies and Procedures will be established and implemented.

Sunset Factor 2

Recommendation 17: Develop and implement Department-wide policies and procedures for the billing of lessees and permittees that establish a process for depositing cash received by the end of the business day if it totals \$1,000 or more.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will add this to both the current deposit process as well as the current deposit approval process to ensure adherence.

Sunset Factor 2

Recommendation 17 continued: Department lacks some policies and procedures for its well-inspection process.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 2

Recommendation 18: Develop policies and procedures for the well-inspection program that include well-inspection goals and the prioritization process for which wells to inspect, in accordance with the goals.

Department response: The audit recommendation will be implemented.

Sunset Factor 2

Recommendation 18 continued: Department did not always use purchasing cards or a central travel account or make travel reimbursements consistent with the SAAM and Department policies and procedures.

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department's travel policy will be revamped with added details to ensure users and approvers have specific guidelines to follow for travel purposes. Payroll staff and approvers will also be retrained on the travel policy to limit possibilities of overpayment.

Sunset Factor 2

Recommendation 19: Develop and implement policies and procedures for travel reimbursements that require staff to provide itemized receipts and calculate mileage in accordance with the SAAM to support that reimbursements are within the SAAM-allowable limits.

Department response: The audit recommendation will be implemented.

Response explanation: This will be implemented in tandem with the previous response

Sunset Factor 2

Recommendation 20: Train staff who use purchasing cards and central travel accounts and submit travel reimbursements, and supervisory staff responsible for reviewing related transactions and reimbursements on a periodic basis, to ensure that these transactions and reimbursements comply with the SAAM and Department policies and procedures, and have staff and supervisors acknowledge understanding of the policies and procedures.

Department response: The audit recommendation will be implemented.

Response explanation: PCard/ CTA users, Payroll staff, and approvers will be trained on the revamped travel policy to mitigate possible overpayments.

Sunset Factor 2

Recommendation 20 continued: Department inappropriately used Trust Land Management Fund and State General Fund monies to pay for some activities it reported were for employee recognition and could not demonstrate the public purpose for these expenditures.

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department is now aware of the appropriate funding source for employee engagement activities and has already implemented changes.

Sunset Factor 2

Recommendation 21: Discontinue the use of prohibited funds to pay for employee-recognition expenditures and instead use only funds allowed by the SAAM and State law.

Department response: The audit recommendation will be implemented.

Response explanation: The Department has discontinued the use of prohibited monies for gift card or holiday party activities.

Sunset Factor 2

Recommendation 22: Conduct a review to identify all expenditures for employee-recognition purposes paid for using monies from prohibited funds in addition to the 10 transactions we identified, and, in consultation with its Assistant Attorney General, determine whether and how to seek reimbursement from employees and/or reimburse the prohibited funds, such as the State General Fund and Trust Land Management Fund, and take any actions as decided.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will conduct the review and consult with the Attorney General's office for guidance.

Sunset Factor 2

Recommendation 23: Develop and implement an employee-recognition policy that requires staff to use only the Department's employee-recognition fund to pay for employee-recognition expenditures and outlines the factors to be used for decisions regarding employee-recognition reward distributions, and the required documentation to demonstrate the public purpose of employee-recognition expenditures.

Department response: The audit recommendation will be implemented.

Response explanation: The employee recognition policy will be updated to include appropriate use as well as highlight prohibited uses to avoid future confusion. Appropriate documentation will be required and retained on file for all employee recognition expenses.

Sunset Factor 2



Recommendation 23 continued: Department did not distribute gift cards used for reported “employee recognition” purposes in compliance with the SAAM.

Department response: The Auditor General’s finding is agreed to.

Response explanation: The Department agrees with the finding and will utilize gift cards in accordance with the SAAM.

Sunset Factor 2

Recommendation 24: Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for documenting the distribution of gift cards on a log or equivalent record.

Department response: The audit recommendation will be implemented.

Response explanation: A procedure in compliance with SAAM will be developed and will require review by the Department Chief Financial Officer on a consistent basis.

Sunset Factor 2

Recommendation 25: Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for performing monthly reconciliations of gift cards to the gift card logs.

Department response: The audit recommendation will be implemented.

Response explanation: Policies and procedures will be developed to ensure the Department remains in compliance with SAAM.

Sunset Factor 2

Recommendation 26: Develop and implement policies and procedures to help ensure compliance with the SAAM requirements for gift cards that establish a process for reporting gift card awards as taxable income.

Department response: The audit recommendation will be implemented.

Response explanation: The aforementioned policies and procedures to be developed will include a process for reporting and documenting gift cards as taxable income to employees.

Sunset Factor 2

Recommendation 26 continued: Department did not comply with some State information technology (IT) policy requirements or develop required procedures.

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department has been actively working to address this.

Sunset Factor 2

Recommendation 27: Develop and implement a written plan that outlines key steps it will take to develop and implement all required IT security procedures in line with ADOHS requirements, including outlining associated completion deadlines and assigned staff responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: As part of its response to annual financial audits, the Department has a plan it is currently implementing to address non-compliance with state security policies. This plan includes key steps and assigned staff.

Sunset Factor 2

Recommendation 27 continued: All 5 positions on the Urban Land Planning Oversight Committee, which are Governor-appointed, have been vacant since at least January 2018.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 2

Recommendation 28: If the Department believes that statutory changes are needed to remove the requirement for the Urban Land Planning Oversight Committee to review its use and disposition plans, it should work with the Governor's Office to seek approval to pursue statutory changes and if approved, work with the Legislature to modify statute accordingly.

Department response: The audit recommendation will be implemented.

Sunset Factor 2

Recommendation 29: If statutory changes are not enacted pursuant to Recommendation 28, work with the Governor's Office to fill the vacancies on the Urban Land Planning Oversight Committee to ensure that the Committee can review the Department's use and disposition plans for State trust land as required by statute.

Department response: The audit recommendation will be implemented.

Sunset Factor 3

The extent to which the Department's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.

Recommendation 29 continued: Department reported that it has not developed use plans since at least calendar year 2011.

Department response: The Auditor General's finding is agreed to.

Response explanation: Since 2011, the Department has worked with local jurisdictions to develop future land use plans through the local General Plan process.

Sunset Factor 3

Recommendation 30: If the Department believes that statutory changes are needed to remove the requirement to develop conceptual land use plans for urban State trust land, it should work with the Legislature to modify statute.

Department response: The audit recommendation will be implemented.

Sunset Factor 3

Recommendation 31: If statutory changes are not enacted pursuant to Recommendation 30, develop conceptual land use plans for urban State trust land and consult with the city, town, or county (local entity) where the land is located regarding integrating the use plan into the local entity's general land use plan, as required by statute.

Department response: The audit recommendation will be implemented in a different manner.

Response explanation: The statutory requirement for local jurisdictions to create General Plans and update them on a 10-year cycle is redundant to the requirement that the Department develop State Conceptual Land Use Plans. ASLD plans to continue working with local jurisdictions during their General Plan updates and to seek legislative relief from this redundant statutory requirement.

Sunset Factor 3

Recommendation 31 continued: Department is in the process of negotiating a memorandum of understanding with the State Mine Inspector to coordinate the agencies' duties regarding mitigating the risks associated with abandoned mines.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 3

Recommendation 32: Continue to work with the State Mine Inspector to finalize its draft memorandum of understanding.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will continue outreach to the State Mine Inspector to obtain final concurrence on, and execution of, the draft memorandum of understanding.

Sunset Factor 4

The extent to which rules adopted by the Department are consistent with the legislative mandate.

Recommendation 32 continued: Department has not adopted rules required by 1 statute and adopted some rules that did not meet all criteria established in 2 statutes.

Department response: The Auditor General's finding is agreed to.

Response explanation: The Department agrees that there are rules which do not meet criteria as prescribed by statute. Until recent history, the Department has been outside of compliance relative to rules. The Department now has a team in place who is systematically reviewing all rules and applicable statutes and additionally creating applicable internal policies and procedures to ensure the Department does not fall behind in compliance with statutory and rule mandates in the future.

Sunset Factor 4

Recommendation 33: Adopt rules as required by A.R.S. §§37-107, 37-604, and 37-615. If the Department believes the rules are not necessary, it should work with the Legislature to modify statute to remove the rulemaking requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department concurs with these findings and intends to either amend the rules or work toward amendments to legislation.

Sunset Factor 4



Recommendation 34: Continue its process-improvement project to amend the rules it identified as inconsistent with statute.

Department response: The audit recommendation will be implemented.

Response explanation: The Department agrees with this finding and is confident that the rules team will continue work on this vital process-improvement initiative which will ensure short-term and long-term compliance with statutory, rule review, and rulemaking obligations.

Sunset Factor 5

The extent to which the Department has provided appropriate public access to records, meetings, and rulemakings, including soliciting public input in making rules and decisions.

Recommendation 34 continued: Board of Appeals (Board) and Arizona Geographic Information Council (Council) did not consistently comply with open meeting law requirements we reviewed.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 5

Recommendation 35: Comply with open meeting law requirements, including ensuring that meeting minutes and recordings include all elements required by statute, including meeting location and date, as well as the name of individuals who propose a motion.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will encourage the Council to create a position that will oversee the Council's compliance with Open Meeting Law. The Department will also work with the Council to ensure that its policies are aligned with Open Meeting Law. The Department will work with the Board to ensure that its policies are aligned with Open Meeting Law.

Sunset Factor 5

Recommendation 36: Comply with open meeting law requirements, including ensuring all actions are properly agendaized and that meetings follow the agenda.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will encourage the Council to create a position to oversee the Council's compliance with Open Meeting Law. The Department will also work with the Council to ensure that its policies are aligned with Open Meeting Law. The Department will work with the Board to ensure that its policies are aligned with Open Meeting Law.

Sunset Factor 5

Recommendation 37: Consult with its Assistant Attorney General to determine whether any actions should be taken regarding the Council's vote to dissolve its Public Safety Committee and implement any needed actions.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will consult with the Attorney General's office to determine if any actions should be taken regarding this vote.

Sunset Factor 5

Recommendation 38: Develop and/or update and implement open meeting law policies and procedures for the Board and the Council to help ensure their compliance with open meeting law requirements.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will also work with the Board and Council to ensure policies are aligned with Open Meeting Law

Sunset Factor 5

Recommendation 38 continued: Department staff did not comply with Department policies and procedures and/or recommended practices for 9 public records requests we reviewed.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 5

Recommendation 39: Post the email of an employee or section that is authorized to respond to public records requests on its website, as required by statute.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will post the email of an employee or section on its website, as required by statute. The Department currently responds immediately after submission of a public records request and the Department's online portal generates an email acknowledging receipt of the request and provides a newly assigned case number for reference.

Sunset Factor 5

Recommendation 40: Review all open public records requests and determine the appropriate response to each open request.

Department response: The audit recommendation will be implemented.

Sunset Factor 5

Recommendation 41: Update and implement its public records law policies and procedures to help ensure it complies with public records law, including documenting its determination of the appropriate response to open public records requests.

Department response: The audit recommendation will be implemented.

Sunset Factor 5

Recommendation 42: Update and implement its public records law policies and procedures to help ensure it complies with public records law, including providing an anticipated date for completing public records requests.

Department response: The audit recommendation will be implemented.

Sunset Factor 5

Recommendation 43: Update and implement its public records law policies and procedures to help ensure it complies with public records law, including providing an index of records or categories of confidential records that were withheld when requested.

Department response: The audit recommendation will be implemented.

Sunset Factor 8

The extent to which the Department has established safeguards against possible conflicts of interest.

Recommendation 43 continued: Department has not implemented some of its conflict-of-interest policy requirements, and its policies also do not include provisions for some of the State's conflict-of-interest requirements.

Department response: The Auditor General's finding is agreed to.

Sunset Factor 8

Recommendation 44: Ensure staff complete conflict-of-interest disclosure forms upon hire and annually, as required by Department policy.

Department response: The audit recommendation will be implemented.

Response explanation: Although State Statute does not require annual completion of disclosure forms, the Department has adopted a more stringent annual policy and will implement this policy as recommended.

Sunset Factor 8

Recommendation 45: Ensure all staff complete updated conflict-of-interest disclosure forms that address all State requirements and recommended practices.

Department response: The audit recommendation will be implemented.

Sunset Factor 8

Recommendation 46: Establish a special file available for public inspection and store all substantial interest disclosures in it.

Department response: The audit recommendation will be implemented.

Response explanation: To date, the Department has not received any substantial interest disclosures from its staff. In the event a substantial interest disclosure is received, the Department will store it in an established special file for public inspection.

Sunset Factor 8

Recommendation 47: Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Board members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

Sunset Factor 8

Recommendation 48: Update and implement Board conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Board members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.

Department response: The audit recommendation will be implemented.

Sunset Factor 8

Recommendation 49: Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Council members to complete a conflict-of-interest disclosure form upon appointment and reminding them at least annually to update their form when their circumstances change, including attesting that no conflicts exist, if applicable.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with the Attorney General's Office and the Council to implement a conflict-of-interest policy and procedure.

Sunset Factor 8



Recommendation 50: Develop and implement Council conflict-of-interest disclosure policies and procedures to help ensure compliance with State conflict-of-interest requirements and recommended practices, including requiring Council members to publicly disclose conflicts of interest when refraining from participating in meeting decisions, consistent with recommended practice.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will work with the Attorney General's Office and the Council to implement a conflict-of-interest policy and procedure.

Sunset Factor 8

Recommendation 51: Develop and provide periodic training on its conflict-of-interest requirements, process, and disclosure form, including providing training to employees, Board members, and Council members on how the State's conflict-of-interest requirements relate to their unique programs, functions, or responsibilities.

Department response: The audit recommendation will be implemented.

Response explanation: The Department will utilize Arizona Department of Administration (ADOA) Developed Statewide Training to meet this recommendation.



Special Audit

Assessment of Department's
agricultural leasing process,
groundwater reporting
mechanisms, and Fondomonte's
leases

Chapter 1

Department's process for determining agricultural rental rates does not fully align with all recommended practices but includes some components and, although peer state practices vary, is consistent with some peer states

Recommendation 1: The Department should continue to review its agricultural leasing processes, including its 50 percent discount, and consider and identify ways to align its processes to recommended practices, such as providing discounts based on the cost of the improvement.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD has reviewed the comparative analysis of other states and recommended practices from academic sources, as reported by the Auditor General's office, and interprets the comparative results as being highly variable. Variability in valuations for crop production vs. land value and reductions (adjustments) for improvements make it challenging to "align" with standards adopted by other western states. However, ASLD agrees with the report and recommendation that it is inaccurate to apply a "flat" 50% discount (adjustment) across all leases, as opposed to accounting individually for investment by each lessee, which practice would bring ASLD into parity with other states that account for improvements using this methodology. ASLD intends to identify a more equitable way of adjusting for improvements.

18 Month Follow Up: Status: Implementation in process. As of August 2025, the Department had continued reviewing its agricultural leasing processes, including continuing to develop a draft agricultural leasing policy (draft policy). Pursuant to the draft policy, the Department can offer agricultural lessees rent adjustments based on the value of new improvements placed on the lease by each lessee, with a maximum rent adjustment of 50% off current rental rates for new improvements valued equal to or more than \$100,000. Additionally, pursuant to the draft policy, the Department would reduce the rent adjustment by a specified percentage each year after a lessee placed the new improvements on the lease to account for depreciation in the value of the improvement. If implemented, this policy would more closely align the Department's agricultural leasing process to recommended practices we identified during our special audit. The Department reported that it intends to finalize its draft policy requirements related to rent adjustments by August 2026 after it ensures the draft policy requirements are consistent with its mass appraisal of agricultural State trust land (see explanation for Recommendation 2 for more information about the mass appraisal). We will assess the Department's alignment of its processes to recommended practices, including its finalization and implementation of its draft policy, during our next follow up.

Chapter 2



Department failed to conduct mass appraisals or adjust rental rates over 17-year period and incorrectly charged some lessees, resulting in more than \$3.4 million less in potential revenue for trust beneficiaries in calendar year 2023

Recommendation 2: The Department should conduct a mass appraisal of agricultural State trust land that complies with statutory requirements and update its agricultural rental rates accordingly.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD recognizes the Auditor General’s findings that the agency has not adjusted its agriculture rental rates since 2005; and that while a market rent study was completed in 2018, for unknown or unverifiable reasons, it was not implemented. ASLD will secure necessary resources to complete a revised market appraisal for agriculture use on State Trust land (STL), consistent with constitutional and statutory requirements for appraisal.

18 Month Follow Up: Status: Implementation in process. In June 2025, the Department initiated a process to gather data on Department agricultural leases throughout the State for use in its mass appraisal, as required by A.R.S. §37-282.01(A). The Department requested stakeholder feedback and lease data, such as acreage, crop types, and water sources, from its agricultural lessees and professional organizations representing the State’s agricultural community and provided these stakeholders with 90 days to respond to its request. As of September 2025, the Department had received 8 responses to its stakeholder information request. Additionally, in June 2025, the Department contracted with an appraiser to conduct a mass appraisal of agricultural State trust land. Consistent with A.R.S. §37-282.01(D), the Department’s mass appraisal contract scope of work requires the appraiser to use the lease data received from the Department’s stakeholder outreach and valuation information identified by the appraiser’s independent research, and consider different markets for agricultural land use in different areas of the State in developing the mass appraisal. The Department reported that it expects to finalize its mass appraisal by April 2026 and update agricultural rental rates by August 2026, after it has analyzed the mass appraisal and advised agricultural lessees of any changes to rental rates. We will continue to assess the Department’s implementation of this recommendation during our next follow up.

Chapter 2

Recommendation 3: The Department should ensure its agricultural leases are assigned to and charged rental rates for correct farm areas by:

Recommendation 3a: Redeveloping its farm areas map and associated documentation to ensure that it has clear, specific, and accurate boundaries for all Department farm areas, such as by using Geographic Information Systems to clearly delineate the farm areas.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD intends to secure necessary resources to ensure that the STL farm areas map has specific, spatially identified and applied boundaries.

18 Month Follow Up: Status: Implementation in process. The Department has continued to revise its interim farm areas map and, as of September 2025, reported that it would continue to use an interim farm areas map until its mass appraisal of agricultural State trust land is completed (see explanation for Recommendation 2 for more information about the Department's mass appraisal). Although the Department's revised interim farm areas map includes adjusted boundaries for some farm areas, the Department is still working to identify specific farm area boundaries for all parcels of agricultural State trust land. According to the Department, the mass appraisal will enable it to create new farm areas for agricultural State trust land based on similarities in appraised rental values identified by the mass appraisal and delineate the farm areas in its GIS. The Department reported that it anticipates updating its farm areas map by the end of 2026. We will continue to assess the Department's redevelopment of its farm areas map and associated documentation during our next follow up.

Chapter 2

Recommendation 3: The Department should ensure its agricultural leases are assigned to and charged rental rates for correct farm areas by:

Recommendation 3b: Developing and implementing policies and procedures for assigning agricultural leases to farm areas.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD recognizes the Auditor General's office finding related to unclear or unspecific STL farm area boundaries. While ASLD provides guidance for application of the farm area boundaries, they are descriptive in nature (Table 4). Ensuring GIS or spatial delineation provides for precise assignments. ASLD will ensure that its farm areas map is precisely delineated, and consistently applied. ASLD intends to develop policies and procedures that support clear customer and staff guidance for assigning future agriculture leases and renewals within any revised STL farm area boundaries.

18 Month Follow Up: Status: Not yet applicable. The Department reported that it has yet to initiate its development of policies and procedures for assigning agricultural leases to farm areas because it is still in the process of redeveloping its farm areas map (see explanation for Recommendation 3a). As discussed in our initial follow up report, redeveloping its farm areas map would be necessary for the Department to fully develop and implement the recommended policies and procedures. A farm areas map that includes detailed and specific farm area boundaries, including any changes to farm area boundaries, would help ensure the Department develops appropriate policies and procedures for assigning agricultural leases to the correct farm areas. As such, this recommendation is not yet applicable. The Department reported that it will develop procedures for assigning agricultural leases to farm areas once the mass appraisal is completed. Therefore, we will assess the Department's development and implementation of policies and procedures for assigning agricultural leases to farm areas during our next follow up.

Chapter 2

Recommendation 3: The Department should ensure its agricultural leases are assigned to and charged rental rates for correct farm areas by:

Recommendation 3c: After redeveloping its farm area maps, review lease documentation to ensure that all Department agricultural lessees are assigned to the appropriate farm area, and correct any erroneously assigned lessees, as applicable.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD intends to secure resources to conduct its own internal audit of its agriculture leases to ensure appropriate farm area assignments for its agriculture leases, and subsequent billings. ASLD appreciates the Auditor General's office efforts to conduct a sample review of 22 leases, noting that 3/22 had misappropriated farm areas.

18 Month Follow Up: Status: Not yet applicable. The Department has not yet completed redeveloping its farm area maps (see explanation for Recommendation 3a). Therefore, this recommendation is not yet applicable.

Chapter 2

Recommendation 4: The Department should develop and implement policies and procedures that outline steps that Department staff must take when lessees fail to submit annual agricultural questionnaires required by the Department's agricultural leases, such as reaching out to lessees to request the questionnaire or take action consistent with its agricultural lease terms if lessees refuse to respond to Department requests and/or provide questionnaires.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD agrees with the Auditor General that it generally lacks standard work in managing annual questionnaire and billing expectations for the customer and staff. ASLD's "agriculture section" retains a single employee, and there has been turnover in the position in the past 5 years. Creating clearer standard work and policies will be a priority of the agency in the next few years across all sections and divisions in order to improve the customers' interface with the agency, reduce complaints resulting from applied inconsistencies and ambiguity, and improve staff morale.

18 Month Follow Up: Status: Implementation in process. The Department developed a draft policy that, consistent with its agricultural lease terms, requires Department staff to bill lessees for the maximum farmable acreage on a lease if the lessee fails to submit or submits an incomplete annual agricultural questionnaire. As of August 2025, the Department had also revised its procedures for processing annual agricultural questionnaires to include steps for reaching out to lessees that have not submitted annual agricultural questionnaires and for billing lessees the maximum farmable acreage on a lease if the lessee fails to submit a questionnaire. As previously discussed in recommendation 1, the Department reported that it intends to finalize its draft policy by the end of calendar year 2025 and reported it will implement its revised procedures for processing annual agricultural questionnaires when it bills lessees for annual rent in February 2026. We will assess the Department's continued development and implementation of its draft policy, including its revised agricultural questionnaire procedures, during our next follow up.

Chapter 2

Recommendation 5: The Department should develop and implement policies and procedures to apply the subleasing charge to agricultural lessees that sublease land.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ASLD will ensure that its standard work and policies and procedures include specific agriculture sublease surcharge provisions and that they are applied appropriately going forward.

18 Month Follow Up: Status: Implementation in process. As of September 2025, the Department reported that it had begun billing subleasing charges to lessees that reported a sublease in their annual questionnaire. Additionally, as of October 2025, the Department had developed a process in the IT system it uses to bill lessees to automatically apply the subleasing charge to the annual rent of agricultural lessees that sublease land. However, the Department drafted policies and procedures in August 2025 for its annual billing process that do not outline a process for Department staff to ensure that a subleasing charge should be applied to a lessee's annual rent, such as verifying the accuracy of subleasing information provided by the lessee in response to the Department's annual agricultural questionnaire. In addition, the Department's draft procedure for processing annual agricultural questionnaires indicates that agricultural staff are responsible for notifying billing staff that a subleasing charge is required, which is inconsistent with its process for automatically applying the subleasing charge in the IT system it uses to bill lessees. We will assess the Department's continued development and implementation of its draft policy and billing procedures, including its process for applying subleasing charges to lessees, during our next follow up.

Chapter 5

Department's agricultural leases, including with Fondomonte, do not include provisions to protect water basin levels, and although they require agricultural lessees to use water in the most efficient manner possible, Department does not monitor or ensure efficient water use

Recommendation 6: The Department should develop and implement policies and procedures for determining, measuring, and enforcing compliance with its lease term that lessees use water in the most efficient manner possible.

Department response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: Similar to several of the other issues and recommendations included herein – ASLD recognizes that the agency has several provisional lease requirements that lack oversight standards and processes for monitoring and ensuring compliance. ASLD will work to secure resources to ensure that it develops clear, transparent guidelines and expectations for customers, that those guidelines can be implemented and enforced, and that lease administration (lease provision oversight) and enforcement will be included as part of ASLD's standard work and policies and procedures.

18 Month Follow Up: Status: Implementation in process. Although we reported in our prior followup that the Department's draft policy included a mechanism for lessees to potentially receive annual rent adjustments if they provided proof of using water-conserving irrigation methods, as of December 2025, the Department reported that it will gather stakeholder input before further developing and finalizing policy requirements related to water use. Specifically, pursuant to its fiscal years 2025 through 2029 strategic plan objectives, the Department intends to hold stakeholder input meetings to help guide the development and implementation of policies and procedures for determining, measuring, and enforcing compliance with the lease requirement that lessees use water in the most efficient manner possible. In February and September 2025, the Department held meetings with the Governor's Office, the Arizona Department of Water Resources, and the Arizona Department of Agriculture for the reported purpose of planning stakeholder outreach with Department agricultural lessees. According to the Department, it intends to hold 3 to 4 public meetings with its agricultural lessees and various organizations representing the State's agricultural community to gather stakeholder input and anticipates holding the first meeting in December 2025. The Department reported that it expects to finalize requirements related to water use and incorporate them into its draft policy by the end of calendar year 2026. We will assess the Department's continued development and implementation of its policies and procedures related to its lease term to use water in the most efficient manner possible during our next follow up.



ARIZONA

STATE LAND DEPARTMENT

Committee of Reference List of Recommendations for the Arizona State Land Department

On Continuation –

- 4 years, until July 1, 2030, and that the Department return to the Legislature with a report and additional recommendations within 2 years.

On Additional Audit Items / Investigations –

The Arizona State Land Department:

- Adopt and implement all 51 recommendations from the Auditor General;
- Open additional investigations into:
 - Intentionally vacant land;
 - Commissioner-initiated sales with only 1 bidder;
 - Solar leases and sales with only 1 bidder;
 - Reclamation of lands after solar leases;
 - Vacant land located within municipalities;
 - Vacant land located within 5 miles of urban areas; and
 - Vacant land located within 10 miles of urban areas.

On Legislative Changes and Other Needed Items –

- Create a conceptual land use plan and five-year disposition plan;
- Make urban land use planning committee appointments;
- Establish licensing timeframes and due process;
- Establish a transparent process for Commissioner-initiated sales;
- Establish a transparent procedure for all applications;
- Act in accordance with the legislative creation of an oversight and accountability committee;
- Work with industry to resolve all issues involving Salesforce improvement;
- Use third-party contracting to improve efficiency and timelines for all application types;
- Work with industry on:
 - Mineral leases and instruments;
 - Mineral invoicing; municipal annexation and zoning uses;
 - Mineral sterilization; and
 - Agricultural land appraisals/indexing;
- Clarify the capital improvement reimbursement process through procedure addressing timelines; and
- Create new language in all leases that permits biosolids uses on State Trust Lands.



Arizona State Legislature

1700 West Washington
Phoenix, Arizona 85007

June 12, 2025

Robyn Sahid
Arizona State Land Department
1110 W Washington St
Phoenix, Arizona 85007

Dear Commissioner Sahid:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee (JLAC) has assigned the sunset review of the Arizona State Land Department to CORs comprised of members of the Senate Natural Resources Committee and the House of Representatives Land, Agriculture and Rural Affairs Committee. JLAC has directed the Auditor General to conduct a performance audit of the Arizona State Land Department.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. In addition to the sunset factors, which are addressed in the Auditor General performance audit, please provide your agency's written response to the required factors as listed below:

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.
2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

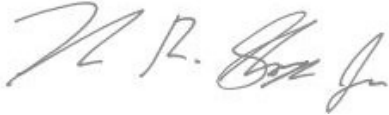
Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Sawyer Bessler

Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

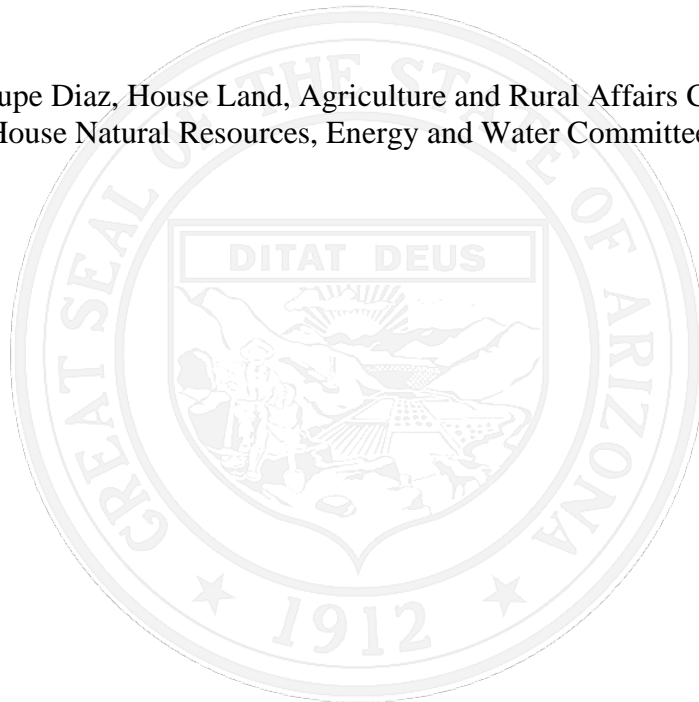
Thank you for your time and cooperation. If you have any questions, please feel free to contact me at (602) 926-3012 or Sawyer Bessler, the Senate Natural Resources Committee Research Analyst, at (602) 926-3171.

Sincerely,



Senator T.J. Shope

cc: Representative Lupe Diaz, House Land, Agriculture and Rural Affairs Committee, Chair
Corbin Wright, House Natural Resources, Energy and Water Committee, Analyst



Katie Hobbs
Governor



Robyn Sahid
Commissioner

Arizona State Land Department

1110 West Washington Street, Phoenix, AZ 85007
(602) 542-4631

August 29, 2025

Arizona State Senate
1700 West Washington
Suite 212
Phoenix, AZ 85007-2844

Attn: T.J. Shope, Senate President Pro Tempore & Chair, Senate Natural Resources Committee
CC: Lupe Diaz, Representative, Chair, House Land, Agriculture and Rural Affairs Committee
Corbin Wright, Analyst, House Natural Resources, Energy and Water Committee
RE: Sunset Review of the Arizona State Land Department

Dear President Pro Tempore Shope,

On behalf of the Arizona State Land Department (“Department”), I submit to you the agency’s responses to the sunset factors pursuant to A.R.S. § 41-2954 for continuance/sunset of the department.

The agency’s written response to the required factors is listed below.

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

Response: The Department is committed to fulfilling its constitutional mandate to manage State Trust Land for the benefit of public institutions, particularly K-12 education, while fostering responsible economic development and sustainable land stewardship. Our mission is centered on generating long-term, reliable revenue from Trust assets, not on creating regulatory burdens or unintended economic consequences.

To that end, the Department has made significant strides in streamlining its planning, leasing, and sales processes to improve predictability, transparency, and collaboration with stakeholders, including local governments, developers, utility providers, and the general

public. While our recent sunset audit acknowledged areas for continued improvement, it also underscored the progress we have made toward becoming, as our revised mission declares, “a model agency for modern times, responsibly managing all of its assets for the benefit of the Trust and the State.” Some of our recent efforts to enhance transparency and efficiency include:

- Collaborating with industry representatives on a process improvement initiative (“kaizen project”) for subsurface estate applications and leases. This effort will streamline the process, reduce the current application backlog, and include ongoing evaluation of statutes and rules to identify needed updates.
- Clearing a significant backlog of public records requests, closing 409 cases and improving our responsiveness and transparency.
- Establishing a formal solutions team to review external complaints and evaluate whether issues should be addressed through rule revisions, legislative changes, or both. As part of this process, we conduct economic impact assessments to avoid imposing unnecessary costs on government entities, the private sector, or the public.
- Launching a new GIS-based map tool to improve early-stage coordination with industry partners as they identify viable and appropriate parcels for solar project locations.
- Improving operational efficiency by initiating 60 new five-year, on-call professional service contracts across key areas including real estate, planning and engineering, water, trespass, and archaeology. These contracts have reduced purchase order processing times from 1-2 months to just 4 days.

While any public agency must remain alert to the possibility of unintended consequences, our proactive approach—guided by a strong statutory foundation, public engagement, and interagency collaboration—helps us mitigate risks such as increased costs of goods, service delays, or burdens on business operations.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.

Response: The Department has taken deliberate and proactive steps to identify, assess, and address deficiencies in its enabling statutes to better fulfill its constitutional mandate of managing State Trust lands for the benefit of our beneficiaries.

We have consistently collaborated with the legislature, stakeholders and the public to modernize outdated statutory provisions that hinder the Department’s ability to manage Trust land efficiently and in alignment with current market conditions, environmental considerations, and land-use planning best practices. These efforts have resulted in

meaningful improvements, including streamlined processes for land sales and leases, enhanced land valuation methods, and greater transparency in decision-making.

As referenced in our response to question one, the Department's ongoing "kaizen" process improvement initiative, rule review efforts, and recent audit findings have helped identify specific statutory provisions in need of revision or repeal. We are currently reviewing these provisions and look forward to working with the legislature in the near future to implement necessary changes.

3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.

Response: A.R.S. § 37-102(C) provides expressly: "The department, in the name of this state, may commence, prosecute and defend all actions and proceedings to protect the interest of this state in lands within this state or the proceeds of lands within this state. Actions shall be commenced and prosecuted at the request of the department by the attorney general, a county attorney or a special counsel under the direction of the attorney general."

4. The consequences of eliminating the agency or consolidating it with another agency.

Response: The Department oversees 9.2 million acres of trust land generating over \$350 million annually for beneficiaries, including K-12 public schools. Eliminating or consolidating the agency could disrupt this revenue stream and compromise fiduciary obligations under the Enabling Act.

The Department carries out complex statutory responsibilities including mineral lease management, GIS mapping, issuing rights-of-way, and selling land based on market demand. Merging this expertise into a generalist agency could jeopardize performance, increase risk, and may violate constitutional mandates.

Please feel free to reach out to Lynn Córdova at lcordova@azland.gov or 602-542-2654 should you have any questions.

Sincerely,



Robyn Sahid
Commissioner